

SH-63



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April 1, 2005

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LETTER SENT VIA FACIMILIE

Mr. Gary M. Jackson
Assistant Administrator for Size Standards
U.S. Small Business Administration
409 Third Street, SW
Washington, D.C. 20416

Re: RIN 3245-AF22

Dear Mr. Jackson:

I am writing to provide comments on the Advanced Notice of Proposed Rulemaking (ANPRM) that relates to the participation of businesses that are majority-owned by venture capital companies in the Small Business Innovation Research (SBIR) Program. Specifically, we wish to advocate that the SBA provide an exclusion from affiliation with venture capital companies in determining small business eligibility for the SBIR Program.

The Missouri Technology Corporation is a state-chartered, public/private partnership organized to be the state's science and technology advocate. Our organization actively promotes the growth of businesses in Missouri through technology application, technology commercialization and technology development.

One of our priority goals is to increase the amount of company creation and growth based on the transfer of university-derived technologies. Over the past few years our organization, in partnership with the state, has supported the creation and implementation of various state programs designed to leverage private sector investments into venture capital funds and directly into early stage, technology based firms. These efforts were followed by the recent formation of several large, private venture capital companies (VCC). These VCC's, and the state-sponsored programs, have focused much of their investment on the burgeoning life sciences industry in our state. We have seen a tremendous growth in the number of entrepreneurs who wish to create and grow their biotechnology firms here in this state and we have learned a great deal about their needs.

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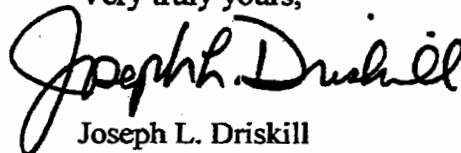
One issue that has become apparent to us is that nascent biotechnology firms need large amounts of private capital in order to bring their products or processes to the marketplace. While a large portion of early stage, technology based companies seek private investment capital, we find that biotechnology firms often depend on investments earlier in their development and from more than one VCC. The result is that many, if not most of the state's biotechnology firms have obtained funding from multiple VCC's.

We are aware that you have specifically requested comments on the issue of whether you should propose a "change to the size affiliation regulation for SBIR Program purposes by allowing business concerns that are majority owned or controlled by one or more VCC's to be eligible for SBIR awards, regardless of the ownership and control of the VCC's." While we believe the affiliation rule should be changed, it has been our experience that a primary reason many biotechnology firms have not participated in the SBIR program is that the SBA currently excludes from participation those firms that are not majority owned by individuals. We believe that a majority of small biotechnology firms that have received more than one VCC investment are not majority owned by individuals. Relaxing the "affiliation rule" would be a positive step, but it would not in itself ensure that more Missouri-based firms could participate.

We believe that the SBIR Program is a key to the future growth of technology based start-up companies in Missouri. Unfortunately, we also believe the program's rules have not kept pace with the reality that a large portion of our start-ups, particularly those involved in biotechnology, are increasingly relying on multiple venture capitalists to fund their establishment and growth.

Thank you for the opportunity to comment on this important proposed rulemaking.

Very truly yours,



Joseph L. Driskill
Executive Director

Cc: MTC Board
Innovation Centers
Venture Capital Roundtable